ital, usually timid, reluctant to enter the country, and the Chinese themselves did not yet possess the quantities of fluid capital or the type of banking system essential for the financing of an extensive industrialization. The returns elsewhere for the meagre supply of such capital as existed were so great that such long term investments as factories were not favored. Technical skill was scanty, transportation facilities usually inadequate, and taxes and official interference often disastrous. Nor had the Chinese yet succeeded in operating many of the stock companies by which the industrialization of the Occident had been made possible.

Time-honored loyalties required that, regardless of the interests of stockholders, directors create posts for members of their families. This militated against the efficiency of the Western device. The bulk of the manufactures of China were, therefore, still produced by the customary handicraft methods organized in small units by guilds. After 1937 the Japanese invasion led to a migration of modern industry to the West. Machinery was moved and set up in new sites in "free" China.

Rifts in the old organization of the industrial life of the country began to appear. In many places, especially in the chief cities, the guilds were weakening, particularly in occupations in which the new methods had been introduced. Labor unions were formed, notably among workers on the railways and in the new industries. Before 1926 they had begun to be important, and the Kuomintang in its northward movement of that and the following year actively encouraged their organization. Unions of peasants were also initiated by the Kuomintang. These were facilitated by the Chi-

nese habit of association through occupational guilds, a tradition which easily carried over into the new types of grouping. They were, however, primarily political organizations. The unionizing of workmen and peasants was due chiefly to the radical, Russian-advised elements in the Kuomintang. When, in 1927, these latter were discredited and suppressed, the unions formed by them suffered reverses and many of them disappeared. By 1937 they were, on the whole, few and weak. Not only laborers but also employers organized. Long before 1937, chambers of commerce became familiar features of the business structure of many of the cities. They were an easy evolution from the guild system or were formed by a federation of existing guilds.